Weekly Economic Review

Resale housing market chills in December

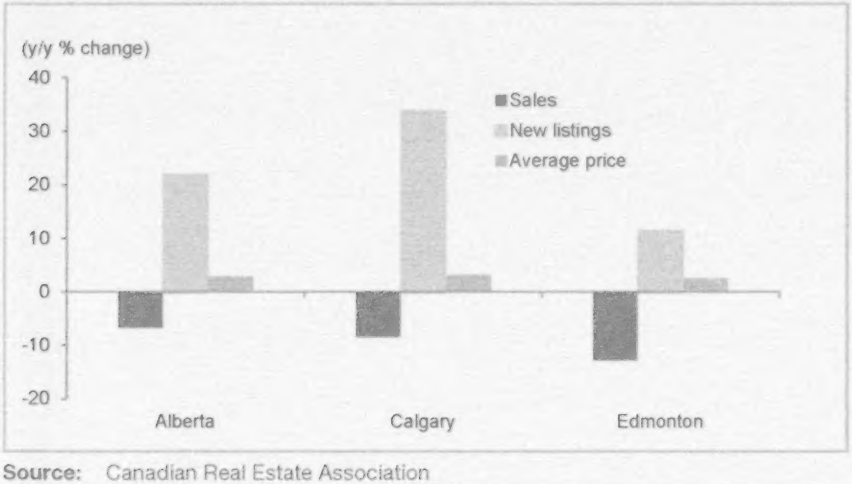
Resale Housing

Sales slide in the final month of 2014

It was a notable end to 2014 for resale housing. Sales of existing homes across Alberta plummeted by 21.4% in December, and were down 6.6% from December 2013. Both Calgary and Edmonton experienced similar month-over-month declines. The decline in sales was accompanied by a 2.1% increase in new listings, causing the sales-to-new listings ratio to fall from 0.65 in November to 0.50 in December, indicating a drop in market tightness. Both major cities saw similar drops in sales-to-new listings. The average resale price also saw substantial declines in month-over-month growth, but was still up 2.7% year-over-year (y/y). Even with the big decline in December, total sales in 2014 were up 8.6% over 2013, new listings were up 8.1%, and the average resale price was up 5.2%. Calgary was the primary driver of growth in 2014.

Chart 1: Alberta home sales fall while new listings surge

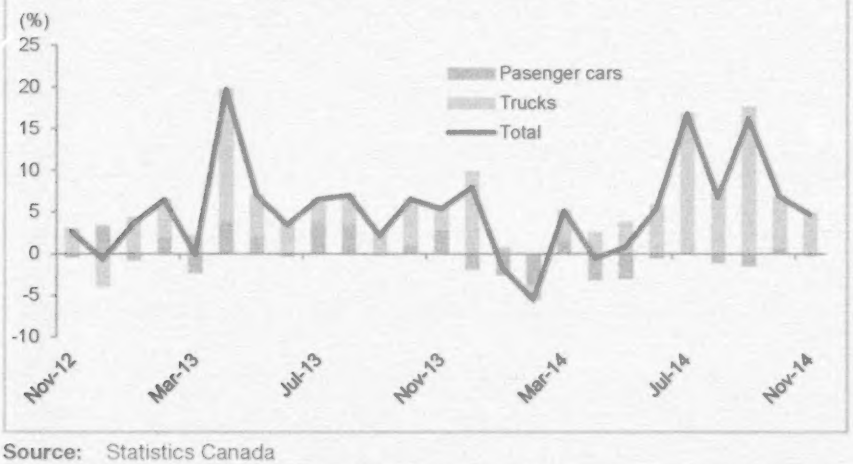
December 2014 year-over-year percent change in select housing indicators



Source: Canadian Real Estate Association

Chart 2: New vehicle sales driven by sales growth in trucks

Year-over-year growth in new vehicles, contribution to growth for cars and trucks



Source: Statistics Canada

At the national level, the market remained balanced. December sales fell 5.8% month-over-month, but were still up 2.9% year-over-year. The average resale price increased 3.8% y/y.

New Motor Vehicle Sales

Trucks propel sales higher

New vehicles sales in Alberta continue to grow. In November, there were 21,138 new motor vehicles sold in Alberta, an increase of 4.6% y/y. New motor vehicle sales through the first 11 months of 2014 were up 5.3% over 2013. Truck sales, including SUVs and vans, continue to drive new vehicle sales, growing 6.1% y/y and 8.4% year-to-date (Chart 2). Passenger vehicle sales are lagging, falling 0.7% y/y and 4.7% year-to-date. Dollar sales of new motor vehicles totaled $863 million, an increase of $52.4 million over November 2013.

Non-Residential Construction

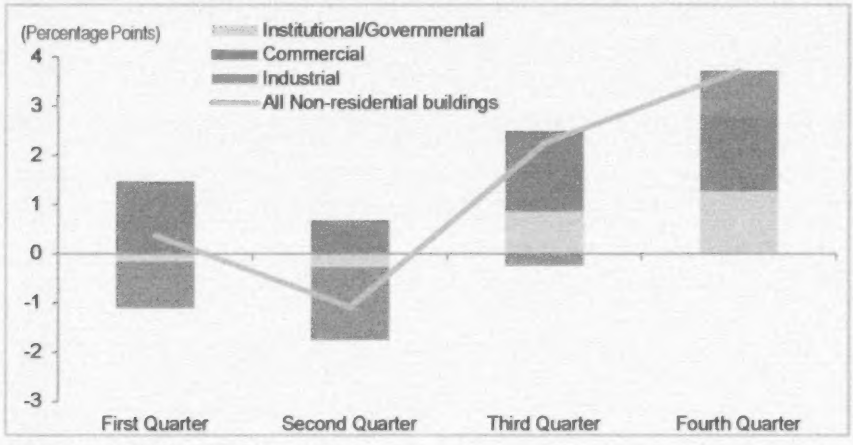
Ending 2014 on a high note

Real investment in non-residential building construction increased 3.7% in the fourth quarter and was up 5.3% from the fourth quarter of 2013. Non-residential building construction closes out the year 5.0% higher than in 2013, the largest annual increase since 2008.

Investment in commercial buildings, which make up two-thirds of the total, increased 2.1% in the fourth quarter and was up 7.6% y/y. Construction of institutional and governmental buildings increased substantially for the second-straight quarter, up 8.3% from the third quarter, and 11.3% y/y. Industrial construction grew for the first time in 2014, rising 7.4% on a quarterly basis.

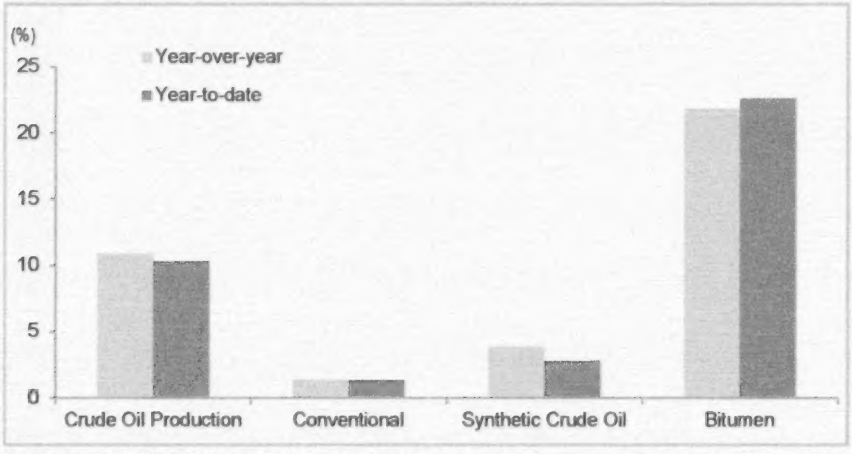
For the year, investment in commercial buildings increased 6.8%, institutional and governmental rose 10.8% and industrial construction fell 8.8%.

Chart 3: Non-residential construction in Alberta accelerated in 2014
Contribution to quarterly growth in real non-residential building construction



Source: Statistics Canada

Chart 4: Bitumen has driven Alberta oil production
Oil production



Source: Statistics Canada

Oil and Gas Production

Continued strength

Alberta produced 2.9 million barrels per day of crude oil and equivalent in October, up 11.9% y/y. Almost all of the growth came from bitumen production (Chart 4), which accounted for almost half of total production and increased 22% y/y. Synthetic crude oil production gained 3.9% and conventional crude oil production rose 1.4%. Oil exports increased 7.1%, while oil delivered to Canadian refineries was down 1.6%. Year-to-date, Alberta oil production was up 10.7%. Natural gas production in 2014 is on pace to increase for the first time since 2005, as production was up 6.3% y/y and 5.4% year-to-date.

Business Outlook Survey

Energy outlook dims

The results of the Bank of Canada's Winter 2015 Business Outlook Survey were mixed, reflecting the diverging prospects faced by Canada's energy and manufacturing sectors. While most firms reported conditions had improved over the past 12 months, there was a divergence of opinion about the future. Manufacturers, especially those with large export markets, expect to benefit from the improving US economy and weaker Loonie, and many firms plan to expand capacity. Businesses connected to the energy sector were less optimistic, given collapsing oil prices. The balance of firms expect to cut back on investment in machinery and equipment over the next year. This sentiment was also reflected along geographic lines, with businesses in Western Canada expressing more pessimism than those in the central and eastern provinces.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.